

## Untitled

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1 attachments (672 KB)

WV 2016 Unmet Needs v.4.pdf;

## West Virginia's Remaining Unmet Needs

### Overview of HUD's initial CDBG-DR Award to West Virginia

The damage resulting from West Virginia's June 2016 flooding was unprecedented. Overall, more than 20% of the State's 55 counties experienced flooding and were declared federal disaster areas. The flood waters caused destruction to highways, housing, schools, businesses, agriculture while also resulting in 23 lost lives. The flood was so destructive that it made the National Oceanic and Atmospheric Administration's Billion-Dollar Weather and Climate Disasters list for 2016 – meaning **NOAA deemed this a \$1 Billion disaster for West Virginia.**

In October and December 2016, Congress appropriated (*Pub. L. 114-223 /254*) more than \$2 billion to states suffering major disasters before September 2016. Federal register notices were then published in November 2016 and January 2017 which set forth the requirements associated with the funding appropriated by Congress.

- West Virginia received \$104,280,000.
- \$83,424,000 (80% of total funds) must benefit Kanawha and Greenbrier Counties.<sup>1</sup>
- West Virginia's use of funds must stem from an unmet recovery need not already met by other federal, state/local, or nonprofit funds or private insurance and State will be required to document the "tie back" to the disaster.

### *West Virginia's Plans for initial \$104,280,000*

The State (through Department of Commerce and partnering stakeholders / agencies) has undertaken meaningful community engagement to accurately assess remaining needs from the 2016 disaster and priorities of its communities. This information has been utilized to inform the proposed uses of the initial CDBG-DR award. The consistent message from West Virginia's impacted communities is clear: there remains tremendous need and the affected communities have limited resources to obtain assistance.

The over-whelming majority of the unmet need exists within the housing sector. Accordingly, the State has prioritized the initial Award to aid the most impacted and distressed areas to address housing needs. With the \$104 million, the State can only administer 5 programs to address this need.

State of West Virginia 2016 CDBG-DR Award	
WV "Up to Code" Housing Program (Owners)	\$ 64,378,950
WV Rental Assistance Program (Landlords / Renters)	\$ 16,000,000
WV Coordinated Match Program (HMGP / CDBG-DR Match)	\$ 11,440,000
WV Strategic Buyout / Acquisition Program	\$ 6,000,000
WV Bridge Home Program	\$ 2,080,000
State Administration & Planning <sup>2</sup>	\$ 4,381,050
West Virginia CDBG-DR Award	\$104,280,000

<sup>1</sup> The State has requested HUD to add Clay and Nicholas Counties to the HUD-determined MID so those heavily impacted areas can be assisted with greater amounts of funding.

<sup>2</sup> Amount determined by allowance of 20% cap under regulations.

# West Virginia's Remaining Unmet Needs

## WV "UP TO CODE" HOUSING PROGRAM

- ✓ "Up to Code" will provide repair, replace, or reconstruction services to homeowners.
- ✓ Projected population benefit: 1,200 low- and moderate-income homeowners
- ✓ Remaining population with unmet need: 4,000 homeowners.

## WV RENTAL ASSISTANCE PROGRAM (WV-RAP)

- ✓ WV-RAP provides repair, replace, or reconstruction services to rental properties.
- ✓ Projected population benefit: 400 units of rental properties.
- ✓ Remaining population with unmet need: approximately 400 units.

## WV COORDINATED MATCH PROGRAM (HMGP / CDBG-DR MATCH)

- ✓ WV will allocate \$11,440,000 of DR funds to fulfill the 25% non-federal cost-sharing requirement.
- ✓ Specific HMGP activities may include but are not limited to: Buyouts of housing units; Demolition; Structural elevation; Localized flood risk reduction projects (i.e. detention ponds, increased channel capacity); Infrastructure retrofit; Infrastructure improvements or replacement; or, Post-disaster code enforcement.

## WV STRATEGIC BUYOUT / ACQUISITION PROGRAM

- ✓ WV will aim to relocate residential property owners in flood-prone areas to replacement homes outside the floodplain. Funding will be used to purchase properties and remove structures from interested homeowners and property owners who were substantially damaged during the 2016 floods. In West Virginia, there is an unmet need that exists to acquire properties to remove development from hazardous locations and to assist property owners who do not qualify for other buyout programs or cannot be served due to inadequate funding.

## WV BRIDGE HOME PROGRAM

- ✓ The Bridge Home program will aim to repair or replace privately owned bridges that provide the primary access point to a residence.
- ✓ Projected population benefit: 100 bridges to be repaired / replaced.
- ✓ Remaining population with unmet need: 250 bridges in need of repair/replacement

## Why \$104 Million Falls Short of West Virginia's True Unmet Need

HUD estimated damage for the 2016 allocations is based on the four factors which negatively affected the calculation of WV's unmet need (and thus, its award) as it relates to other jurisdictions.

**Factor 1: "Seriously damaged" owner-occupied units:** HUD only counted those owner-occupied units which were "seriously damaged." In Greenbrier and Kanawha Counties, "seriously damaged" meant FEMA's estimate of the unit damage was \$8,000 or the unit had flooding higher than 1 ft.

Impact to WV: Using this method in West Virginia resulted in only 20% of the actually damaged owner-occupied units being considered. *Thus, 80% of the affected owner-occupied population or approximately 4,000 units were not counted in the calculation.*

## West Virginia's Remaining Unmet Needs

**Factor 2:** "Seriously damaged" rental units: HUD only counted those rental units which suffered at least \$8,000 damage or had flooding higher than 1 ft. and were occupied by renters with income less than \$20,000.

Impact to WV: Using this method in West Virginia only accounts for approximately 100 of the entire 780-unit population of damaged rental property. Furthermore, HUD presumed that landlords of rental properties had adequate insurance coverage unless the unit was occupied by a renter with income of \$20,000 or less. Unfortunately, this is not the case in West Virginia as only 10% of all damaged housing units had flood insurance.

**Factor 3:** Small businesses denied by SBA repair estimate: HUD only counted those small businesses denied by SBA repair estimate or approximately 100 applicants.

Impact to WV: This means that more than 1,300 business owners were left out of the calculation. These small businesses were unable to complete their SBA loan application due to economic hardship and still have a status of "Application Issued."

**Factor 4:** The state match requirement to address the FEMA estimates for repair of permanent infrastructure in the FEMA Public Assistance program (categories C to G<sup>3</sup>): HUD only counted that percentage of match funds required of the state for Categories C to G.

Impact to WV: At the time of HUD's initial award, obligation of PA funds for these categories had just begun and was not reflective of the actual infrastructure need. Assuming data was used at the time of award (December 2016), this equates to only \$10 million in unmet infrastructure need (the amount needed for the 25% cost-sharing match).

As of March 21, 2017, more than \$134 million in FEMA Public Assistance Program project costs have been approved across the 12 declared counties in West Virginia. The State expects this number to at least double in the coming months as new projects are approved and obligated, namely the reconstruction of the five schools that were substantially damaged. Of the approved project costs, 75% will be funded by FEMA, and the State is required to provide the remaining 25% of funds. Thus, currently West Virginia will be required to provide the local match of \$33,500,000.

### Why West Virginia Should Have Received More

- The methodology used for the housing unmet needs calculation did not account for the most distressed populations in West Virginia – thousands of those most vulnerable to disasters were unaccounted for and left with extraordinary amounts of unmet needs.
- The methodology used for the economic sector omitted more than 1,000 small businesses unable to complete applications for SBA assistance.
- The FEMA PA program had not yet obligated even one-half of the projects eligible for assistance; thus, the assumption of the State's required 25% match was much less than will ultimately be required.

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<sup>3</sup> FEMA Categories C – G include the following activities: Category C: Roads and Bridges; Category D: Water Control Facilities; Category E: Public Buildings and Equipment; Category F: Public Utilities; Category G: Recreational or Other.

## West Virginia's Remaining Unmet Needs

Amount of CDBG-DR funds West Virginia Should Have Received: \$360,600,000

The following calculations provide more accurate conclusions for the unmet need in each sector and, thus the CDBG-DR award West Virginia should have received.

### Housing Sector

The most accurate housing unmet need calculation is based on the average real property verified loss found across all affected populations in the declared counties.<sup>4</sup> A re-calculation of the State's remaining unmet housing results in a total amount of unmet housing need of \$295,493,724.

#### Verified Loss of FEMA Applicants Referred to SBA

SBA Applicants with a Real Estate Verified Loss	973	
Average Real Estate Verified Loss	\$ 64,380	
Verified Loss of SBA Applicants with a Damage Assessment		\$ 62,641,740
 SBA Applicants without a Real Estate Verified Loss	 789	
Average Real Estate Verified Loss	\$ 64,380	
Estimated Verified Loss of SBA Applicants Without a Damage Assessment		\$ 50,795,820
 Total Verified Loss of all SBA Applicants	 1,762	 \$ 113,437,560

#### Verified Loss of FEMA Applicants That Did Not Apply for SBA

FEMA Applicants with a Real Property Verified Loss	5,129	
Total SBA Applicants	(1,762)	
Average Real Estate Verified Loss	\$ 64,380	
Total Estimated Verified Loss of Non-SBA Applicants	3,367	\$ 216,767,460

#### Estimated Verified Loss of Rental Properties

FEMA Renter Applicants with Inspected Damage	783	
Average Real Estate Verified Loss	\$ 64,380	
Total Estimated Verified Loss of Rental Properties		\$ 50,409,540

#### Total West Virginia Unmet Housing Need

Total Real Property Verified Loss	\$ 380,614,560
FEMA Repair Payments	\$ (28,656,603)
NFIP Building Claim Payments to Individuals	\$ (27,188,147)
SBA Disaster Home Loans for Real Estate	\$ (27,373,186)
SBA Disaster Business Loans to Lessors of Residential Buildings	\$ (1,902,900)
Total Housing Unmet Need	<u>\$ 295,493,724</u>

<sup>4</sup> This method further synthesizes HUD's method by taking FEMA applicant count data to project actual losses based on the SBA verified loss amount, which is a more accurate reflection of actual damage per the Federal Register Notices.

# West Virginia's Remaining Unmet Needs

## Economic Sector

The most accurate economic unmet need calculation is based on a review of the impact to local businesses across the SBA application population that never resulted in a loan. The most likely reason for this is economic hardship of the business owner.<sup>5</sup> A re-calculation of the State's remaining unmet economic need results in a total amount of unmet economic need of **\$132,786,337**.

### Verified Loss of SBA Business Applicants

SBA Applicants with a Verified Loss	101	
Average Verified Loss	\$ 103,673	
Verified Loss of SBA Applicants with a Damage Assessment		<u>\$ 10,471,008</u>
SBA Applicants without a Verified Loss	1,336	
Average Verified Loss	\$ 103,673	
Estimated Verified Loss of SBA Applicants Without a Damage Assessment		<u>\$ 138,507,591</u>
Total Verified Loss of all SBA Business Applicants	1,437	<u>\$ 148,978,599</u>

### Total West Virginia Unmet Economic Need

Total Verified Loss	\$ 148,978,599
NFIP Building Claim Payments to Businesses	\$ (4,531,162)
SBA Disaster Business Loans Current Amount	\$ (9,861,100)
Rise West Virginia Grant Program	\$ (1,800,000)
Total Unmet Economic Need	<u>\$ 132,786,337</u>

## Infrastructure Sector

Current data from the FEMA Public Assistance Program indicates \$134 million in project costs have been approved across the 12 declared counties as of March 21, 2017. The State expects this number to at least double in the coming months as new projects are approved and obligated, namely the reconstruction of the five schools that were substantially damaged. But currently, of the approved project costs, 75% will be funded by FEMA, and the State is required to provide the remaining 25% of funds (\$33,500,000)<sup>6</sup>. Coupled with private bridge damage estimated at \$3.1 million, the State has a current \$36,600,000 unmet need for infrastructure repairs.

<sup>5</sup> The most accurate economic unmet need calculation is based on a review of the impact to local businesses across the SBA application population that never resulted in a loan. West Virginia examined the 101 businesses which applied for a loan and received a damage estimate to estimate an average verified loss among the 1,336 applications which were not processed and remain in various non-funded statuses, namely "Application Issued." This method further synthesizes HUD's method by taking SBA applicant count data of those with verified losses and projecting the losses of those who did not follow through with a loan.

<sup>6</sup> Assuming the approved project cost doubles from its current amount to \$268 million, the State would pass the 75/25 damage threshold of \$253 million and only be required to match 10% or \$26.8 million. Coupled with private bridge damage estimated at \$3.1 million, the State would then have a \$30 million unmet need for infrastructure.